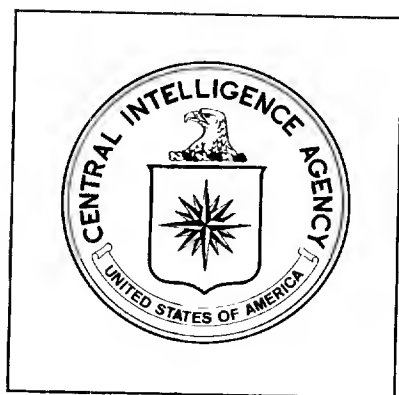


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STAFF NOTES:

**Middle East
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MIDDLE EAST – AFRICA – SOUTH ASIA



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Iran

*Requiring Harder Terms on Loans
to Developing Countries*

Tehran may be requiring harder terms on its loans to developing countries. The Shah has not been especially easy on developing countries, and the terms of the \$200-million credit provided Indonesia this week suggest an even tighter policy.

The credit reportedly will carry an 8-percent interest rate, comparable to the return Iran gets on its World Bank bonds and only slightly less than on its Eurodollar investments. Repayment will be over a 12-year period. These terms are harsher than those of Iranian loans to Syria and Bangladesh last year, and compare unfavorably with low-interest loans that Indonesia received from the Western aid consortium.

Iran apparently also has hardened its position in negotiations with India. Tehran reportedly is demanding the prevailing market rate of interest on at least one quarter of a \$900-million credit for an iron ore development project. In earlier negotiations, Iran indicated that it would grant a highly concessionary rate of 2.5 percent interest.

Tehran is apparently trying hard to get the highest possible economic return on its investments. By 1979, Iran's large surplus may dwindle and its favorable balance of payments may be reversed. Tehran's aid policy will favor those countries and projects that can provide Iran with raw materials, industrial equipment, and technology.

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USSR-Ethiopia

Soviets See Positive Trends in Ethiopia

The Soviet Union appears to be a bit more optimistic in its assessment of political developments in Addis Ababa and may be seeking ways to expand its contacts and cooperation with the military government.

The Soviets, who were never able to establish close ties with Haile Selassie, have been careful not to get ahead of events since his overthrow. Soviet media, however, have become increasingly positive in their treatment of developments in Addis Ababa and have given particular attention to the decisions of the Provisional Military Administrative Council to nationalize various assets and to initiate social and economic reforms.

Official contacts have also perked up somewhat. The Soviet ambassador in Addis Ababa, at his own request, recently met with the chairman of the military council to discuss bilateral relations. Moscow has been involved in several economic aid projects over the years, and it was announced at the meeting that the Soviet Union will give additional assistance to Ethiopia's agricultural development. Earlier this month the Soviets and Ethiopians agreed to renew their cultural exchange program, which includes the training of Ethiopian students in the USSR.

Because of the acute antagonism between Ethiopia and neighboring Somalia, a recipient of considerable Soviet military assistance, it is doubtful that Moscow would offer Addis Ababa any significant aid--especially military aid. A Soviet diplomat recently said that it would be impossible for the Soviets to maintain a good relationship with Somalia if the USSR became a major arms supplier to Ethiopia.

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Angola

Problems on the Road to Independence

The accord signed last week in Portugal establishing a transitional government for Angola represents a reasonable approach to the territory's political and economic problems. The accord, however, leaves many complex questions for the transitional government which is scheduled to be installed on January 31. Moreover, the cumbersome political apparatus established by the accord makes a peaceful transition to independence next November more dependent than ever on the willingness of the three liberation groups to cooperate.

The liberation groups have pledged to work together, but the success of the transitional government could easily be threatened by longstanding rivalries among the groups, their lack of political experience, and the personal ambitions and conflicting political ideologies of their leaders. The three groups often clashed during the long years of insurgency, and similar incidents could occur during the transition as the groups seek to gain political allegiance of Angola's widely-dispersed and politically uncommitted rural population.

If the three groups take their responsibilities seriously, the accord provides them with an opportunity to share in decisions, and gives them time to overcome old suspicions and hostilities. The terms of the agreement also seek to prevent an unequal distribution of power, and place limits on precipitate political or military action by any individual group.

In the transitional government, executive power will reside with a presidential council composed of one member from each of the three liberation groups, with the chairmanship rotating

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among the groups. The authority of the Portuguese high commissioner will be limited to representing Lisbon's interests and voting on defense issues. He will not have a vote in domestic political matters.

No appointments have yet been made to the transitional government. According to some sources, the leaders of the three liberation groups will not participate and instead will assign their deputies to the presidential council. Presumably the leaders wish to remain free to build up the political structures of their organizations.

The transitional government will set up a central commission to organize elections for a constituent assembly sometime before independence next November. Preparations for the elections, such as voter registration, will present the new government with difficult obstacles.

The accord glosses over the issue of a presidential election. Presumably such an election will be held, but details have been left to the constituent assembly.

The accord recognizes the three liberation groups as the only legitimate political organizations in Angola. The liberation groups have argued that whites must no longer regard themselves as an individual power bloc and must work through one of the traditional liberation movements.

It is difficult to measure white receptivity to this idea. The Popular Movement for the Liberation of Angola will probably appeal to urban-based intellectuals and middle-class liberals. Its Marxist image, however, is likely to limit its appeal to wealthy whites.

The National Union for the Total Independence of Angola has projected a moderate image by avoiding any firm ideological stand. This image might

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prove attractive to white moderates in Angola's prosperous central highlands where the Union is active. It reportedly is already receiving some financial support from wealthy whites there.

The National Front for the Liberation of Angola, the largest of the three groups, has a reputation for racism that will probably limit political support from whites, at least for the time being. Nonetheless, the Front is winning substantial political support from both blacks and whites in northern Angola. Whites there have been particularly impressed by the Front's ability to maintain order in the area, known for banditry and a generally high crime rate.

The military provisions in the accord are likely to prove the most difficult to carry out. They call for a defense commission composed of the high commissioner, the presidential council, and a joint general staff. The general staff will be under the high commissioner and will consist of the military commanders of the liberation groups and the commanders of the three branches of the Portuguese armed forces in Angola.

The defense commission is charged with establishing a national army of 48,000 by September. Portugal will supply half the total forces, and the remainder will be provided equally by the three liberation groups. The rest of Portugal's approximately 40,000 troops presently in the territory will be withdrawn by the end of April.

The liberation groups are likely to have problems raising the 8,000 men required to meet this provision. At present, only the National Front for the Liberation of Angola has a sizeable well-trained military force inside Angola and a respectable force in training in Zaire. It is also the only group with significant logistical support outside the territory.

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These factors will give the National Front a military advantage over the other two groups. Until the national army is established, however, the forces of the three groups are required to remain in their present positions.

One of the major problems facing the transitional government will be untangling the territory's economy from Portuguese control. Angola's economy is based on export-oriented development of commercial agriculture and mining. Whites in both Angola and the metropole own virtually all major industrial and transport facilities and conduct most private commerce. The liberation groups have agreed to respect the property of white residents in the territory.

The accord provides for a mixed commission to carry out the transfer of assets located outside Angola to the new government. It also obliges Lisbon to assist the territory in setting up an independent central bank.

Sorting out the assets held by the Bank of Portugal and the Bank of Angola will be time-consuming. The process could also prove to be contentious if Portuguese financial interests, long viewed with suspicion by the liberation groups, give the appearance of not providing an honest audit.

The transitional government will also face complex economic renegotiations with other foreign countries. The US, Britain, Japan, France, West Germany, and South Africa are all deeply involved in mineral and petroleum exploitation, transportation, and power projects.

The most immediate economic problem for Angola may be presented by some of the territory's 500,000 whites. The role of the whites in Angola--unlike

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other former European colonies in Africa--is not restricted to management, investment, and technical skills. They also account for virtually all white collar employment and large number of semi-skilled and unskilled workers.

Although whites with much-needed technical skills probably feel secure, a majority of whites remain unconvinced that the new government will protect their interest. They believe their jobs will be up for grabs when the transitional government faces the task of providing employment for Angola's blacks.

So far, Angola's whites have shown little inclination to oppose the transitional government. Middle-class whites will be able to leave Angola if they find their positions jeopardized. Many whites, however, cannot afford to leave the territory. Their lack of skills will make them unwelcome in Rhodesia, South Africa, and Portugal. Resentment by these whites could lead to serious racial disturbances that may mar the transition to independence.

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India

Narayan Challenge Persists

The ten-month-old protest movement led by India's most influential reformer, J. P. Narayan, has entered a new phase that confirms his determination, despite ill health and the age of 72, to mount a nationwide drive against the government of Prime Minister Gandhi.

Narayan recently began a tour of the country to enlist support for a non-violent "total revolution" in India. Although his plans still lack specifics, Narayan clearly has moved beyond his earlier goal--dissolution of the "corrupt" government in Bihar state--toward a major overhaul of India's political, economic, and social system. Moreover, he has ruled out further talks with Mrs. Gandhi, whom he holds responsible for governmental inefficiency and corruption. He charges she has seriously weakened Indian democracy by amassing power and disregarding civil liberties guaranteed by the constitution.

With the cooperation of numerous small, mostly rightist political parties, Narayan is seeking to establish state committees that will select independent candidates to run against Mrs. Gandhi's Congress Party in future state and national elections. Narayan recognizes that opposition leaders who have joined forces to support his movement are largely motivated by the desire to defeat the Congress Party. He expects their differences will lose importance, however, if there is a massive popular demand for drastic changes in the system. The first important measure of Narayan's support will come on March 6 in a protest march on parliament in New Delhi.

So far, Narayan's supporters are largely middle-class urban dwellers and students whose lives are adversely affected by the declining economic situation. Narayan's key to success, however, lies in

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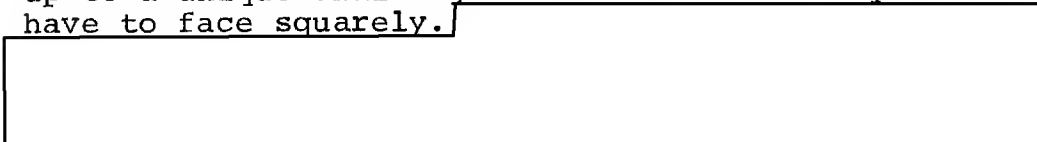
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the millions of villages where most Indians live. Support for the Congress Party and resilience to adversity are traditionally strong among villagers. Nonetheless, Narayan's immense personal prestige, his convincing concern about abuses in the political system, and the general popular appeal of the idealism of Mahatma Gandhi espoused by Narayan, all add up to a unique challenge that Mrs. Gandhi may soon have to face squarely.



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